

STAND. COM. REP. NO.

1254

Honolulu, Hawaii

APR 09 2009

RE: H.B. No. 895
H.D. 2
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 895, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAX ON TOBACCO PRODUCTS OTHER THAN CIGARETTES,"

begs leave to report as follows:

The purpose of this measure is to deter the use of tobacco products other than cigarettes by increasing the tax on these products.

Specifically, this measure:

- (1) Amends the definition of tobacco products to include smokeless and pipe tobacco;
- (2) Increases the tax on tobacco products to:
 - (A) Eighty-five per cent of the wholesale price of the tobacco products sold on or after September 30, 2009;
 - (B) Ninety-five per cent of the wholesale price of the tobacco products sold on or after September 30, 2010; and



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- (C) One hundred five per cent of the wholesale price of the tobacco products sold on or after September 30, 2011; and
- (3) Requires a percentage of the tax collected from the tobacco products to be deposited into the community health centers special fund, health systems special fund, and Hawaii tobacco prevention and control trust fund, respectively.

Your Committee received one hundred twenty-three written comments on this measure. Written comments may be reviewed on the Legislature's website.

Your Committee finds that tobacco use, whether in the form of cigarettes or tobacco products, is detrimental to the health of the people of the State, especially our youth. Tobacco products are even more harmful due to the absence of a filter that is commonly found in cigarettes. Your Committee feels that increasing the tax on these products will discourage young people from starting a bad habit, encourage those who already use such products to stop, and promote a healthier lifestyle.

Your Committee discussed the need for the conference committee to consider the possibility of providing an exemption for locally grown and produced cigars.

Your Committee has amended this measure by:

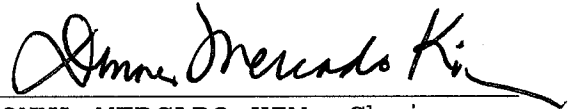
- (1) Changing the tax on tobacco products to:
- (A) Sixty per cent of the wholesale price of the tobacco products sold on or after September 30, 2009;
 - (B) Seventy per cent of the wholesale price of the tobacco products sold on or after September 30, 2010; and
 - (C) Ninety per cent of the wholesale price of the tobacco products sold on or after September 30, 2011; and
- (2) Adding a proviso to the effective date to ensure that the amendment to the definition of "tobacco products"



survives the repeal and reenactment of the provision when Act 131, Session Laws of Hawaii 2005, is repealed by operation of law.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 895, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 895, H.D. 2, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DONNA MERCADO KIM, Chair



